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Elbert: Tech specialists reunite, create firm to handle regulatory filings

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Ames, Ia. – History is poised to repeat itself for the serial entrepreneurs who created Engineering Animation more than two decades ago.

This time, the payoff should come much quicker, be more stable and, ultimately, less painful.

Many still remember Engineering Animation as Iowa's tech darling of the 1990s. Its high-flying shares made a lot of money for a lot of people, before losing a lot for investors who got in too late.

The tech entrepreneurs who created the company disbanded after the company was sold in 2000, but now they are back in Ames.

This time, former company chief executive Matthew **Rizai** said, the target is the financial community, specifically publicly traded companies that are required to file reams of regulatory reports.

The new business is called WebFilings. It was created to help public companies meet a growing demand for financial information.

Reporting requirements of the U.S. Securities and Exchange Commission have turned what used to be a one- or two-person operation into a collaborative venture among at least 12 or more people at large public companies, **Rizai** said.

Plus, new rules will soon require electronic tags on certain types of information so that analysts can quickly find specific data.

The commission requirements created a niche need that no one was filling, **Rizai** said.

Jerry Behar, Engineering Animation's former chief financial officer, recognized the opportunity two years ago. He called **Rizai**, Marty Vanderploeg and other former company mates, who quickly agreed that the same type of collaborative software that Engineering Animation produced for engineers and other designers in the 1990s could be used to produce intricate financial reports.

They had new software written, tested it with companies including Meredith Corp. and FBL Financial Group in central Iowa, and rolled out their new product last month.

Collaboration: The key connection between WebFilings and Engineering Animation is collaborative software.

Engineering Animation created and sold software that allowed engineers and other designers to collaborate from remote locations. WebFilings software serves a similar purpose by allowing accountants and other finance experts to simultaneously draft and change documents that are ultimately filed with the securities commission.

One difference is that WebFilings incorporates specific formatting required by the commission, removing a step that until now has been performed by outside contractors for many publicly held companies.

Meredith and FBL each tested early versions of WebFilings software for two quarters.

Karen Johnson, director of financial reporting at Meredith, said WebFilings was able to link three key commission documents – the company's quarterly report, the news release announcing the quarterly report, and the script for its quarterly conference call with analysts. All three documents contain a lot of numbers, she said, and the software is set up so that if a number has to be changed, the

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change is applied to all three documents.

Carrie Dostal, who oversees commission reporting at FBL, said: "When they first presented the idea, management here said they were not sure they needed it. But when they asked us, we could definitely see the advantages. This is much more efficient for us."

Reinvention: After Engineering Animation was sold in 2000, Behar, the former chief financial officer, returned to California, where he founded a company called Financial Intelligence.

But all of the former top officers stayed in touch. "We always talked," **Rizai** said.

Behar began to see that new commission regulations were creating bottlenecks at many public companies. The added rules were making it difficult for financial officers to get required reports done on time.

When he explained the situation to **Rizai**, the former Engineering Animation chief said, "This sounds just like creating a product in manufacturing.

He continued, "This isn't all that different from what we did before."

Rizai brought other former Engineering Animation officers into the discussion.

"We spent a lot of time looking at the marketplace to see if this was really something that was viable, and how we could do it," **Rizai** said. "Doing it a second time, you see things differently."

One difference was officers knew they needed to concentrate on one market. At Engineering Animation, they recognized too late that the company had tried to go in too many directions at the same time, causing a loss of focus. With WebFilings, they stayed focused on commission filings, even though they knew the software could be used for a wide array of regulatory document drafting.

"Start-up is one of the hardest things you can do," **Rizai** said. But it would be easier this time, he said, because they knew where to go and who to see.

They put the company's nominal headquarters in California, where Behar was and where there would be more visibility, but they came back to Ames for daily operation.

Old friends: Among the first lowans they called were Steve Carter, director of the Iowa State University Research Park, and Des Moines lawyer Steven Zumbach.

Engineering Animation had been located in the research park. Its successor was still in the space that the company built in the late 1990s. Carter provided space that is near the old Engineering Animation building, where WebFilings is already one his larger tenants with nearly 40 full-time employees.

Zumbach helped with financing, including grants and loans totaling \$750,000 from the Iowa Department of Economic Development, backed by pledges to eventually hire as many as 60 lowans at high-paying jobs.

"These guys represent a huge opportunity going forward," Carter said. "In terms of ramping up and growth, this company has done it faster than anything we have dealt with."

Zumbach said it's an example of efforts the state made to attract companies like Engineering Animation in the 1980s and '90s still paying dividends.

"Once they get that critical mass," he said, companies can go back and "tap into that intellectual capital and human capital much more quickly this time."

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